

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'HARA TO  
INTERROGATORY OF THE GREETING CARD ASSOCIATION  
(GCA-T31-1)

The United States Postal Service hereby files the response of witness O'Hara to above-listed interrogatory, filed on June 12, 2006. The interrogatory is stated verbatim and are followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 2, 2006

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'HARA  
TO INTERROGATORY OF THE GREETING CARD ASSOCIATION**

**GCA-T31-1** USPS witness Taufique remarks that a goal of rate design in First Class is "obtaining similar unit contributions for Single-Piece Letters in the aggregate and from Presort Letters in the aggregate". (USPS-T-32, page 15, lines 20-21.) Please refer to the attached Excel spread sheet, which lists certain financials derived from your testimony and others from R2006-1 and the same information from the last litigated rate case, in R2000-1.

- a. Please confirm that the per unit contribution toward USPS institutional costs proposed in this case is only 10 cents for Standard A Regular commercial and non-profit mail while it is 23.5 cents for First Class Single Piece mail, a gap of 13.5 cents.
- b. Please confirm that the per unit contribution toward USPS institutional costs proposed in R2000-1 was only 5.5 cents for Standard A Regular commercial and non-profit mail while it was 18.1 cents for First Class Single Piece mail.
- c. Please confirm that measured in cents, the gap in per unit contributions to institutional costs is growing between First Class Mail and Standard A Regular mail, from a 12.7 cent difference in R2000-1 to a 13.5 cent difference in R2006-1.

**RESPONSE:**

As a preliminary matter, please note that witness Taufique's testimony deals only with First-Class Mail. Your interrogatory compares unit contributions for mail in two different subclasses, and obtaining similar unit contributions across subclasses is not a goal of the Postal Service in this case.

- a. Confirmed that the Docket No. R2006-1 (as-filed) proposed unit contribution toward institutional costs is 10.0 cents for Standard Mail Regular and 23.5 cents for single piece First-Class Mail, a difference of 13.5 cents. After revisions, the corresponding numbers are 10.0 cents, 24.2 cents, and 14.2 cents. Two versions of your attachment are appended to this response – one using Docket No. R2006-1 as-filed data (your original), and the second using revised data.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'HARA  
TO INTERROGATORY OF THE GREETING CARD ASSOCIATION**

**RESPONSE to GCA/USPS-T31-1 (continued):**

- b. Confirmed that the R2000-1 proposed unit contribution toward institutional costs was 8.5 cents for Standard Mail Regular and 18.1 cents for single piece First-Class Mail.
  
- c. Confirmed that the difference in proposed unit contributions between single-piece First-Class Mail and Standard Mail Regular was 12.7 cents in Docket No. R2000-1; and, in Docket No. R2006-1, 13.5 cents (as filed), becoming 14.2 cents after revisions.

**R2006-1 (As Filed)**

**First-Class Mail**  
**Financials for Single-Piece and Presort Letters**

**Standard Mail**  
**Financials for Standard Mail Regular**

**First-Class Mail**  
**Financials for Single-Piece and Presort Letters**

Test Year After Rates Financials			Test Year After Rates Financials				Difference SP - STD	Test Year After Rates Financials	
	Single Piece	Presort		Commercial	Nonprofit	Total Regular			Single Piece
Total Revenue	\$ 19,124,695	\$ 16,673,609	Total Revenue	\$ 15,521,094	\$ 1,843,033	\$ 17,364,127		Total Revenue	\$ 19,430,640
Volume	37,056,128	48,693,069	Volume	62,815,558	12,372,554	75,188,112		Volume	37,206,438
Revenue per Piece	\$ 0.516	\$ 0.342	Revenue per Piece	\$ 0.247	\$ 0.149	\$ 0.231	\$ 0.285	Revenue per Piece	\$ 0.522
Rollforward Cost	\$ 10,424,565	\$ 5,263,369	Rollforward Cost			\$ 9,835,815		Rollforward Cost	\$ 10,423,261
Cost per Unit	\$ 0.281	\$ 0.108	Cost per Unit			\$ 0.131	\$ 0.151	Cost per Unit	\$ 0.280
Per Unit Contribution	\$ 0.235	\$ 0.234	Per Unit Contribution			\$ 0.100	\$ 0.135	Per Unit Contribution	\$ 0.242
Implicit Cost Coverage	183.5%	316.8%	Implicit Cost Coverage			176.5%	6.9%	Implicit Cost Coverage	186.4%

FCM data are obtained from R2006-1, USPS-LR-L-129, WP-FCM-12.

STDM volumes and revenues are obtained from R2006-1, USPS-T-36, WP-STDREG-30 through 32.

Rollforward costs are obtained from R2006-1, USPS-T-10, FY 2008 After Rates D Report, Exhibit USPS-10M.

FCM data are obtained from R2006-1, USPS-LR-L-129, WP-FCM-12.

STDM volumes and revenues are obtained from R2006-1, USPS-T-36, WP-STDREG-30 through 32.

Rollforward costs are obtained from R2006-1, USPS-T-10, FY 2008 After Rates D Report, Exhibit USPS-10M.

**R2000-1**

**First-Class Mail**  
**Financials for Single-Piece and Presort Letters**

**Standard Mail**  
**Financials for Standard Mail Regular**

**First-Class Mail**  
**Financials for Single-Piece and Presort Letters**

Test Year After Rates Financials			Test Year After Rates Financials				Difference SP - STD	Test Year After Rates Financials	
	Single Piece	Presort		Commercial	Nonprofit	Total Regular			Single Piece
Postage Revenue	\$ 22,746,522	\$ 13,229,830	Postage Revenue					Postage Revenue	\$ 22,746,522
Total Revenue	\$ 22,913,594	\$ 13,252,350	Total Revenue			\$ 9,070,437		Total Revenue	\$ 22,913,594
Volume	52,877,658	46,979,736	Volume			40,998,656		Volume	52,877,658
Revenue per Piece	\$ 0.433	\$ 0.282	Revenue per Piece			\$ 0.221	\$ 0.212	Revenue per Piece	\$ 0.433
Rollforward Cost	\$ 13,326,042	\$ 5,019,464	Rollforward Cost			\$ 6,823,933		Rollforward Cost	\$ 13,326,042
Cost per Unit	\$ 0.252	\$ 0.107	Cost per Unit			\$ 0.166	\$ 0.086	Cost per Unit	\$ 0.252
Per Unit Contribution	\$ 0.181	\$ 0.175	Per Unit Contribution			\$ 0.055	\$ 0.127	Per Unit Contribution	\$ 0.181
Implicit Cost Coverage	171.9%	264.0%	Implicit Cost Coverage			132.9%	39.0%	Implicit Cost Coverage	171.9%

FCM revenue, cost, and volume are obtained from R2000-1, USPS-T-33, Workpaper, page 2, revised 4/17/00.

STD mail revenue, cost, and volume are obtained from R2000-1, USPS-LR-L-166, WP1, pages 21 &amp; 25.

FCM revenue, cost, and volume are obtained from R2000-1, USPS-T-33, Workpaper, page 2, revised 4/17/00.

STD mail revenue, cost, and volume are obtained from R2000-1, USPS-LR-L-166, WP1, pages 21 &amp; 25.

**R2006-1 (Revised)**

**Sort Letters**                      **Standard Mail**  
**Financials for Standard Mail Regular**

	<b>Test Year After Rates Financials</b>				Difference SP - STD
Presort		Commercial	Nonprofit	Total Regular	
\$ 16,440,420	Total Revenue	\$ 15,521,094	\$ 1,843,032	\$ 17,364,127	
48,542,760	Volume	62,815,558	12,372,554	75,188,113	
\$ 0.339	Revenue per Piece	\$ 0.247	\$ 0.149	\$ 0.231	\$ 0.291
\$ 5,265,124	Rollforward Cost			\$ 9,836,572	
\$ 0.108	Cost per Unit			\$ 0.131	\$ 0.149
\$ 0.230	Per Unit Contribution			\$ 0.100	\$ 0.142
312.3%	Implicit Cost Coverage			176.5%	9.9%

SPS-LR-L-129, WP-FCM-12 Revised

obtained from R2006-1, USPS-T-36, WP-STDREG-30 through 32.

obtained from R2006-1, USPS-T-10, FY 2008 After Rates D Report, Exhibit USPS-10M Revised

**R2000-1**

**Sort Letters**                      **Standard Mail**  
**Financials for Standard Mail Regular**

	<b>Test Year After Rates Financials</b>				Difference SP - STD
Presort		Commercial	Nonprofit	Total Regular	
\$ 13,229,830	Postage Revenue				
\$ 13,252,350	Total Revenue			\$ 9,070,437	
46,979,736	Volume			40,998,656	
\$ 0.282	Revenue per Piece			\$ 0.221	\$ 0.212
\$ 5,019,464	Rollforward Cost			\$ 6,823,933	
\$ 0.107	Cost per Unit			\$ 0.166	\$ 0.086
\$ 0.175	Per Unit Contribution			\$ 0.055	\$ 0.127
264.0%	Implicit Cost Coverage			132.9%	39.0%

obtained from R2000-1, USPS-T-33, Workpaper, page 2, revised 4/17/00.

obtained from R2000-1, USPS-LR-L-166, WP1, pages 21 &amp; 25.